

T. ROWE PRICE INTERNATIONAL INC.
INTERNATIONAL EQUITY: FTSE ALL WORLD EX U.S. BENCHMARK

FOR THE MONTH OF: **AUGUST** **2006**

MANAGER PERFORMANCE CALCULATIONS

* Annualized returns

	Last <u>Month</u>	Last <u>3 Months</u>	Last <u>1 Year</u>	Last <u>3 Years*</u>	Last <u>5 Years*</u>
Rowe Price	2.86%	2.00%	18.87%	19.51%	9.74%
FTSE AW ex U.S.	2.81%	3.87%	25.57%	24.92%	13.66%
MSCI EAFE	2.78%	3.84%	24.78%	23.99%	12.25%

COUNTRY ALLOCATION COMPARISON

<u>Over-weight</u>	<u>Rowe Price</u>	<u>AW x US</u>	<u>Under-weight</u>	<u>Rowe Price</u>	<u>AW x US</u>
Japan	23.43%	19.17%	UK	10.56%	19.56%
Italy	7.63%	3.67%	Canada	2.04%	5.71%
Austria	2.76%	0.53%	Hong Kong	0.00%	2.44%

PERFORMANCE ATTRIBUTION & STRATEGY COMMENTS

Your portfolio was broadly in line with the benchmark for the month ended August 31, 2006. At the sector level, both stock selection and group weighting were marginally positive. Holdings in the financials sector proved rewarding with the portfolio well positioned to profit from the announcement of further consolidation in the Italian banking sector. Among positions in health care stocks, second-quarter results from a leading producer of diabetes-related products exceeded consensus expectations and confirmed robust growth in this segment. In the materials sector, a holding in a large Brazilian iron-ore producer detracted after its offer for a rival Canadian mining company led to stock price weakness. From a regional perspective, stock selection boosted performance although this was partially offset by group allocation. Holdings in developed Europe delivered the strongest returns, providing the majority of the top individual stock contributors. In contrast, stock-picking in emerging markets proved less successful.

Your portfolio underperformed the benchmark for the three-month period ended August 31, 2006. At the sector level, stock selection was mainly responsible for weaker returns, although group weighting was also negative. The consumer discretionary sector was the largest detractor, notably a Japanese online retailer, whose shares fell sharply after allegations of insider trading against one of its executives. Positioning in the financials sector also proved unrewarding. Among the leading detractors was a Japanese consumer finance company as the possibility of greater regulation in the industry continued to weigh on the stock. From a regional perspective, stock selection held back performance, and group weighting also had a small negative impact. Holdings in Japan and developed Europe delivered the weakest returns.

Strategy

Equity markets have recovered strongly from their correction earlier this year. Falls were driven by fears over inflation, rising interest rates, and concerns over prospects for global economic growth. Over the course of the next year we would anticipate monetary tightening to be complete, inflation to have peaked, growth to have moderated, and expectations of interest rate cuts to be rising. The U.S. market could outperform international markets as it has already discounted a slowdown in growth and interest rates there are close to peaking, whereas Japan and Europe are probably earlier in the tightening cycle. However, we believe that a weaker dollar will boost returns on international markets for U.S. investors over the medium and long term. Despite the sharp falls in emerging markets seen over the quarter as investors became more risk averse, their economies still appear to offer higher, although riskier, prospects for growth. The key risk for equities remains the possibility that inflationary pressures will push up interest rates to levels which in turn will reduce growth, with the negative effects of such a move on U.S. consumer spending a particular concern.

MANAGER STYLE SUMMARY

Rowe Price entails a "bottom-up" investment philosophy, whereby the primary emphasis is on security selection while country or regional weights are a secondary consideration. The portfolio will tend to have a large number of stocks, with characteristics and regional weightings similar to that of the benchmark. There is no obvious bias in market capitalization, price/earnings, or other attributes. Rowe Price represents a traditional and typical large international equity manager, whose returns in any single period should be around median, neither at the top or the bottom of the pack.

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PORTFOLIO GUIDELINE COMPLIANCE

AUGUST

2006

Portfolio Guideline:	Index	Rowe	Calc	Min	Max	Compliance
B3. Security position <= 5% of the account @ purchase						ok
B4. Number of issues		126		150	250	check
B5. Normal Sector Exposures (Country Allocation):						ok
Americas ex U.S.		8%		0%	15%	ok
United Kingdom		10%		5%	35%	ok
Europe ex U.K.		47%		15%	65%	ok
Japan		23%		10%	60%	ok
Pacific ex Japan		8%		2%	25%	ok
Non-Index Countries		1%		0%	25%	ok
Cash & Hedges		4%				
Total		100%				
B6. Normal Portfolio Characteristics						
Capitalization		\$1,294		\$125		ok
Price/Book Value	2.43	2.7	112%	80%	180%	ok
Price/Earnings	13.17	14.1	107%	80%	180%	ok
Price/Cash Flow	10.31	14.2	138%	80%	180%	ok
Dividend Yield	2.49	1.8	73%	80%	120%	check
C1. Currency or cross-currency position <= value of hedged securities						ok
No executed forward w/o a corresponding securities position.						ok
C2. Max forward w/ counterpart <= 30% of total mv of account						ok
H2. Annual turnover		71%		15%	45%	check
The portfolio is in compliance with all other aspects of the Portfolio Guidelines					<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

MANAGER EXPLANATIONS FOR DEVIATIONS FROM PORTFOLIO GUIDELINES

B4. Number of Issues:

ORGANIZATIONAL/PERSONNEL CHANGES

There have been no structural changes to the product during August, 2006. Hiroshi Watanbe joined our Tokyo Office in August as a Research Analyst.

ACCOUNT TURNOVER

Gained:

Number of Accounts:

Total Market Value (\$m):

Lost:

Number of Accounts: 0

Total Market Value (\$m):

Reason(Organizational Changes.